

Message Text

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PAGE 01 REYKJA 00432 272226 Z

40

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 SSO-00 CIAE-00 DODE-00 NSAE-00

NSCE-00 USIE-00 PM-09 H-02 INR-10 L-03 NSC-10 PA-03

RSC-01 PRS-01 SS-15 AID-20 CIEP-02 TRSE-00 STR-08

OMB-01 CEA-02 ABF-01 FS-01 RSR-01 INRE-00 /127 W
----- 053414

O P 272100 Z APR 73

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC IMMEDIATE 3562

INFO AMEMBASSY PARIS IMMEDIATE

COMICEDEFOR IMMEDIATE

CINCLANT PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY OSLO PRIORITY

AMEMBASSY HELSINKI PRIORITY

AMEMBASSY STOCKHOLM PRIORITY

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E. O. 11652: N/A

TAGS: EFIN AFIN IC

SUBJECT: SIX PERCENT REVALUATION OF ICELANDIC KRONUR

BEGIN UNCLASSIFIED

1. SUMMARY. GOI TONIGHT ANNOUNCED SIX PERCENT REVALUATION OF KRONUR EFFECTIVE WITH OPENING OF TRADING APRIL 30. NEW CENTRAL BANK BUYING RATE WILL BE IKR 91 PER DOLLAR, COMPARED TO PRESENT RATE OF 96.50. END SUMMARY

2. ICELAND REVALUED KRONUR BY SIX PERCENT SETTING NEW CENTRAL RATE OF 92.98 WITH LOW MARGIN OF 90.89 AND HIGH OF 95.07.

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TRADING MONDAY WILL COMMENCE NEAR LOW SIDE WITH DOLLAR BUYING

RATE OF 91 AND SELLING RATE OF 91.30. US\$1.00 WILL NOW PURCHASE
IKR 91, A REDUCTION OF 5.699 PERCENT FROM PREVIOUS LEVEL.

3. GOI ALSO RAISING INTEREST RATES ON SAVINGS AND LOANS
APPROXIMATELY TWO PERCENT TO FIVE PERCENT. STANDARD BORROWING
RATE WILL NOW BE 11 TO 12 PERCENT WHILE ORDINARY SAVINGS RATE
GOES TO NINE PERCENT FROM SEVEN PERCENT. END UNCLASSIFIED.

4. BEGIN LIMITED OFFICIAL USE. REVALUATION COMES AS COMPLETE
SURPRISE TO LOCAL COMMUNITY. MOVE WAS SUGGESTED BY CENTRAL BANK
IN PART AS MEANS OF ENCOURAGING SAVINGS BY SUGGESTING POSSIBI-
LITY OF STILL FURTHER REVALUATIONS AND WAS TO GREAT EXTENT
THE RESULT OF VERY FAVORABLE PRICES ABROAD FOR FISH PRODUCTS.
REVALUATION IS ALSO EXPECTED TO REDUCE WAGE INDEX BY 2 1/2 POINTS
AS COST OF IMPORTS DROP, AND THIS WILL ENABLE GOI TO HOLD
DOWN JUNE 1. WAGE INCREASES. END LIMITED OFFICIAL USE. IRVING

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NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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30 JUN 2005

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Subject: SIX PERCENT REVALUATION OF ICELANDIC KRONUR
TAGS: AFIN, EFIN, IC
To: BONN
CINCLANT
COMICEDEFOR
COPENHAGEN
EB
LONDON
OSLO

PARIS
SECSTATE WASHDC

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